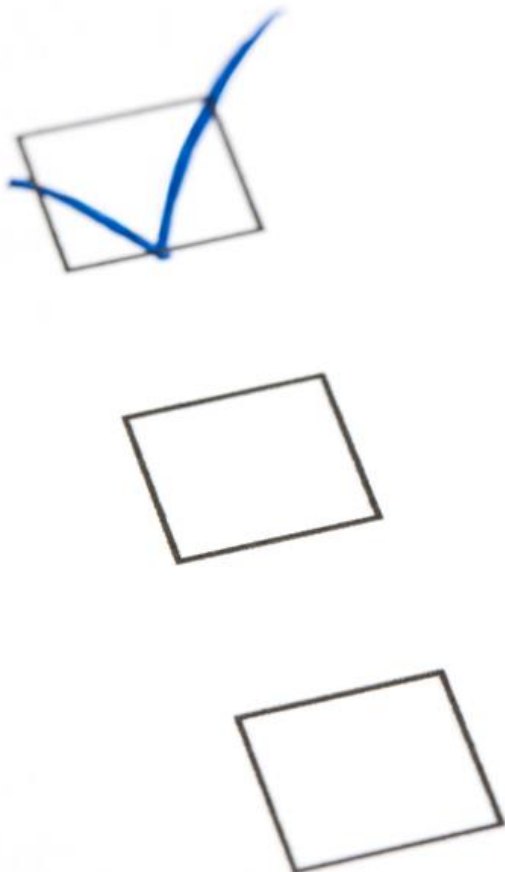


Sunderland City Council



Audit Progress Report

December 2013



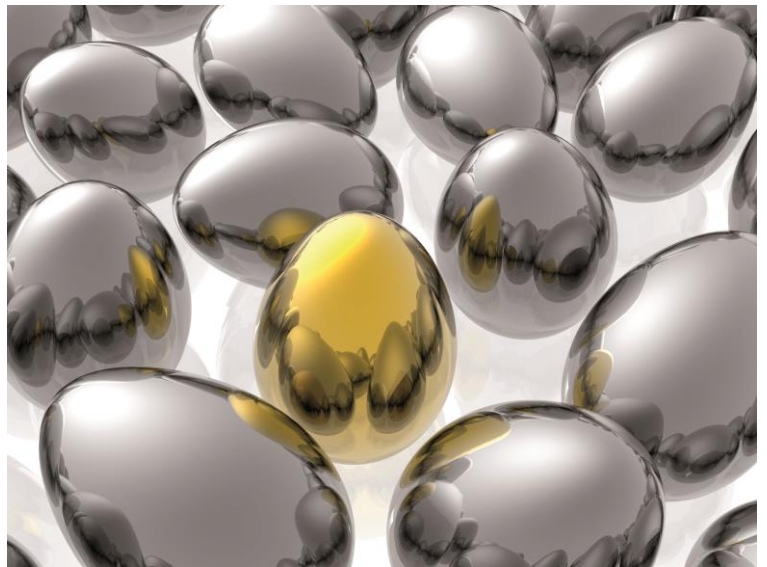
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Purpose of this paper

The purpose of this paper is to update the Audit and Governance Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

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If you need any additional information please contact Mark Kirkham or Gavin Barker using the contact details at the end of this update.

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Summary of audit progress



The 2012/13 audit is complete and recent work has focussed on finishing the remaining grant claims that required audit certification by the end of November 2013; the housing and council tax benefits grant claim and the teachers pensions return.

Mark Kirkham took over as engagement lead for your audit on 1 November 2013, following Steve Nicklin's retirement.

We have now begun planning the 2013/14 audit, including our initial assessment of what the significant risks are and how we will liaise effectively with the Council. We also plan to carry out our walkthroughs of the key financial systems in the next quarter.

Summary of audit progress

We will present our Audit Strategy Memorandum to the Audit and Governance Committee in March 2014. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

In February 2014, Mazars will once again provide a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2013/14 statement of accounts. These workshops have been well received in the past. The Council's officers have attended previously and we hope that they will attend them again. Invitations will be sent out in the near future.

Port of Sunderland

Members will recall from the Audit Completion Report presented to the Audit and Governance Committee on 28 September 2013, that there were some issues potentially impacting on the Council as the statutory harbour authority for the Port of Sunderland.

Following further discussion with officers, it was agreed that the Council would produce a separate set of financial statements for the Port, which are to be provided to the Department for Transport in accordance with statutory requirements. We have carried out the required independent assurance procedures on these accounts at an agreed cost of £3,500 plus VAT. The Audit Commission approved this fee variation.

Advisory work

In our report to the Audit and Governance Committee in March 2013, we highlighted that in addition to our prescribed audit work we are able to offer a wide range of additional assistance.

We have recently tendered for and won in competition two pieces of advisory work for the Council:

- An independent review of fees and charges
- An independent review of advertising

In addition, the Executive Director of Commercial and Corporate Services has again commissioned a Review of Internal Audit from us for the 2013/14 audit year.

In undertaking this work, we can confirm that we fully comply with ethical standards and we have ensured that there is no conflict with our role as your external auditor.

The total fees for advisory work for 2013/14, which are only payable by the Council when the work is completed satisfactorily, currently stands at £34,000 plus VAT.

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Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Annual Fraud Indicator Report 2012/13
- A Guide to Forecasting Methods in the Public Sector
- Code of Practice in Local Authority Accounting in the UK: Disclosure Checklist 2013/14 accounts
- Accounting and Auditing Standards: A Public Services Perspective
- Audit Commission consultation on 2014/15 fees
- Charging brings in more income than council tax for one in five councils
- Protecting the Public Purse
- £1.2 billion owed to councils in uncollected business rates
- Audit Commission Value for Money profiles
- Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14

Emerging issues and developments

Issue / development	Implications
<p>Annual Fraud Indicator Report 2012/13 In June 2013, the National Fraud Authority published its Annual Fraud Indicator report for 2013. The Report updates the Authority's estimates for fraud in all sectors of the economy, including the public sector. The methodology used in reporting is updated every year, which makes the analysis of trends and the drawing of conclusions difficult, but the report can still make interesting reading.</p>	<p>Provides national context. Sunderland City Council prides itself on having a strong anti-fraud culture.</p> <p>The report is available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf</p>
<p>A Guide to Forecasting Methods in the Public Sector CIPFA have produced a detailed guide to forecasting that describes each of the methods available to councils and their pros and cons. It recognises that robust forecasting is critical to long-term service provision that meets increasing demand within tightening budgets.</p>	<p>Information is available at http://www.cipfa.org/policy-and-guidance/publications/a/a-guide-to-forecasting-methods-in-public-services-book</p>
<p>Code of Practice on Local Authority Accounting in the UK: Disclosure Checklist 2013/14 Accounts CIPFA published the key guidance for the preparation of the 2013/14 accounts in May 2013. This checklist can be used to self-assess compliance with this guidance during the closure process and we will use it as part of our audit of the 2013/14 accounts.</p>	<p>For information. Previous work has shown Sunderland City Council to comply well with CIPFA's accounting Code of Practice. We work with officers to ensure any new requirements are addressed.</p>

Emerging issues and developments

Issue / development	Implications
<p>Accounting and Auditing Standards: a Public Services Perspective</p> <p>CIPFA have updated a 2003 guide to reflect the subsequent adoption of international standards for accounting (IFRS) and auditing (ISAs). These standards are already embedded in the accounts you produce and our audit approach. However, the guide is a useful summary of how these standards apply to local authorities, fire and police bodies. It includes descriptions of the:</p> <ul style="list-style-type: none"> • Key differences between private sector and local authority financial reporting; • Wider responsibilities of public service auditors; and • Role of the various standard setting bodies. 	<p>This is a useful summary of accounting and auditing standards.</p> <p>Previous work has shown Sunderland City Council to comply well with accounting standards.</p> <p>We have arrangements in place to ensure that we comply with all auditing standards.</p>
<p>Audit Commission consultation on 2014/15 fees</p> <p>The Audit Commission is consulting on its 2014/15 proposed work programme and scales of fees. The proposal is that 2014/15 scale audit fees are set at the same level as the fees applicable for 2013/14, thus locking in the 40 per cent reduction made to fees from 2012/13.</p> <p>The consultation closes on Friday 10 January 2014 and the Commission plans to publish the final work programme and scales of fees for 2014/15 in March 2014. The proposed 2014/15 scale fee for Sunderland City Council is therefore £179,562.</p>	<p>The 40% reduction in audit fees will be delivered for another audit year.</p> <p>The report can be found at http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415/</p>

Emerging issues and developments

Issue / development	Implications
<p>Charging brings in more income than council tax for one in five councils</p> <p>The Audit Commission has published a briefing drawn from its Value for Money (VFM) Profiles. The briefing presents the Commission's analysis of the £10.2 billion that English councils raised through charging for services in 2011/12.</p> <p>Charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils. Although nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs.</p>	<p>In 2011/12, Sunderland City Council's income from charging funded 10.8% of expenditure compared to an average of 8.05% for metropolitan councils. The income from sales, fees and charges was 77.7% of the income from council tax.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/09/charging-brings-in-more-income-than-council-tax-for-one-in-five-councils/</p>
<p>Protecting the Public Purse</p> <p>The Audit Commission's annual report on fraud, published in November 2013, highlights that £178 million of fraud was detected by local government in the last year. Just over three quarters of that total was detected by one quarter of councils.</p> <p>The Commission stated "This shows what can be achieved and we encourage all councils to play their part and do as much as they can to detect fraud. If the other 75 per cent of councils had found as much, we would see much higher overall rates of fraud detection".</p>	<p>This annual report sets out the national context. Sunderland City Council participates in the Commission's annual fraud survey.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/</p>

Emerging issues and developments

Issue / development	Implications
<p>£1.2 billion owed to councils in uncollected business rates</p> <p>The Audit Commission has published a briefing, drawn from its Value for Money (VFM) Profiles Tool. The briefing presents the Commission’s analysis of English councils’ collection rates and costs of collecting business rates.</p> <p>It was found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. In 2012/13, the uncollected in-year amount was £513 million.</p>	<p>In 2012/13, Sunderland City Council collected 97.5% of NNDR due, which was in the highest third of metropolitan councils where average collection rates were 96.7%.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/10/1-2-billion-owed-to-councils-in-uncollected-business-rates/</p>
<p>Audit Commission Value for Money profiles</p> <p>The Audit Commission published its updated VFM profiles on 11 November 2013.</p> <p>The Value for Money (VFM) profiles bring together data about the costs, performance and activity of local councils and fire authorities, displayed under sections that give an overview of the chosen organisation and the services it delivers.</p>	<p>Sunderland City Council’s VFM profiles can be viewed and downloaded via the Audit Commission website, by following the links to ‘VFM Profile Tools’.</p>

Emerging issues and developments

Issue / development	Implications
<p>Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14</p> <p>The Audit Commission's latest research, published in November 2013, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p>	<p>As reported in our Annual Audit Letter and VFM conclusion for 2012/13, our view is that Sunderland City Council has shown strong financial resilience.</p> <p>In line with this national report, we also identified that the Council faces significant financial challenges and difficult decisions will need to be considered.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/11/councils-show-financial-resilience-but-must-continue-adapting/</p>

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